GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1713
ANSWERED ON:10.12.2004
INFRASTRUCTURE PROJECTS WITH FOREX RESERVE
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has decided to use forex reserves for the first repayment of external debt during current fiscal year;

(b) if so, whether the Government has set in motion process by planning pre-payment of Japanese bilateral loans aggregating close to $ 1 billion;

(c) if so, whether in view of the good position in forex reserves Government is also considering to repay loans to World Bank and other organizations; and

(d) if so, whether any concrete proposals have been worked out as to how the comfortable forex position is utilized?

Answer

Minister of State in Ministry of Finance (SHRI S.S. PALANIMANICKAM)

(a) to (d) Encouraged by buoyant foreign exchange reserves and low level of domestic as well as international interest rates, Government of India effected premature retirement of high cost loans during 2002-03 and 2003-04 amounting to US $ 2.9 billion and US$ 3.8 billion, respectively. However, so far no such proposal is under consideration during the current fiscal year. India`s foreign exchange reserves are now more than US $ 126 billion. The policy of foreign exchange management aims at maintaining a level of foreign exchange reserves which takes into account not only anticipated current account deficits but also `liquidity at risk` arising from unanticipated capital movements. Thus, the policy for reserve management is judiciously built upon a host of identifiable factors and other contingencies.